

## Press Release

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### **Brickwork Ratings assigns “BWR BBB-” for Ackruti City Limited’s secured Non Convertible Debenture (NCD) Issue of INR 100 Crores with tenure of two years**

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**NCD Issue Rating: BWR BBB-**

**Outlook : Stable**

Brickwork Ratings (BWR) has assigned BWR BBB- (Pronounced BWR Triple B Minus) Rating for **Ackruti City Ltd.’s** proposed ₹ 100 crore secured NCD Issue. Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.

The rating has factored, inter alia, Ackruti City Limited’s experience in real estate, focus on participation in Slum Rehabilitation Schemes, and the shift towards residential projects in line with current market dynamics. The rating is however constrained by unfavorable coverage ratios, high level of outstanding debtors, stretched working capital cycle, few instances of delay in interest payments and the current situation in the real estate industry.

Incorporated in 1989 by Mr. Hemant Shah and Mr. Vyomesh Shah, ACL is a construction and real estate group involved in the development, sale and lease of commercial, residential, retail, and industrial property. It operates in several real-estate verticals such as Residential, Commercial, IT Parks, SEZs, SRA, Biotech Parks, Retail and Hotels. Its operations are focused primarily in Western India - Mumbai, Pune, Thane, Ahmedabad, Vadodara and Surat. In Mumbai, the company has a major presence in Central & Western suburbs covering ~80% of their area under construction in the city. ACL executes projects both on its own and through Joint ventures with other developers.

ACL’s business model includes the development of Slum areas (under Slum Rehabilitation Schemes) and projects undertaken in PPP with State Governments. This has enabled the company to acquire land at competitive prices. Till date the Ackruti group has completed construction of 13 mn sft. of which 8.10 mn sft. is under Slum Rehabilitation Schemes. ACL

currently has approximately 68.51 mn sft. under its management from various projects; of this, ACL's share is 35.10 mn sft.

The NCD Issue of ₹ 100 crores is by way of a private placement, to finance a Project that involves the construction of 240 quarters, an Udhyog Bhavan and a double storied underground parking complex, for the Government of Maharashtra. In lieu ACL receives land for its own development and sale. The debentures have a tenure of 2 years and are redeemable at the end of the term at a premium. The coupon rate is 12% p.a. payable half-yearly.

As of 31<sup>st</sup> March 2011, ACL's net worth was ₹ 1618 crores and borrowings were ₹ 1853 crores. The Company had a reported net profit of ₹ 151 crores. The current Debt/Equity ratio stands at 1.39 times.

ACL's profit margins are benefitted by its low cost of land, which it acquires in lieu of SRA projects executed for the government. However, most of the residential saleable area that ACL acquires by way of SRA projects will materialize in FY12 onwards. Till then, the Company is dependent on sale/lease of commercial space and sales from its affordable housing projects for its actual revenues. ACL's performance is dependent on sustainability of its margins, its ability to generate cash flows from new sales, and the real estate industry's performance amid rising interest rates, input costs and scarcity of adequate finance.

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